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U.S. Trade Strategy & German Interests

Robert B. Zoellick

United States Trade Representative

German-American CEO Summit

May, 2003

Competitive Liberalization

- **Promote free trade through multiple initiatives:**
 - **Global**
 - **Regional**
 - **Bilateral**
- **Moving on multiple fronts enables the United States to:**
 - **Exert leverage for openness**
 - **Put free trade “on offense”**
 - **Help workers, exporters, consumers**
 - **Break new ground and set higher standards**
 - **Create partners for free trade in the WTO**

Progress

2001-2003

Generally:

- **Regained momentum for trade**
- **Linked trade to growth, development, and security post 9/11**

Specifically:

- **Trade Act of 2002**
 - **Trade Promotion Authority**
 - **Zero tariffs for \$20b of developing world trade**
- **Launched Doha Development Agenda in WTO**
- **Completed negotiations on accession of China, Taiwan to WTO**
- **Free Trade Area of the Americas (FTAA) in concrete negotiations**
- **Completed Singapore and Chile FTAs**
- **Launched new FTAs: CAFTA, SACU, Morocco, Australia... others**
- **Launched Enterprise for ASEAN Initiative (EAI)**
- **Launched plan for Middle East Free Trade Area (MEFTA)**

Global Initiatives in the WTO

- **The Doha Development Agenda**
 - **Launched at Doha, Qatar: November 2001**
 - **EU-US leadership was key**
 - **146 participants**
 - **Next Ministerial Meeting: Cancun, September 2003**
 - **Target date for completion: January 2005**
- **Doha Agenda is a *once-in-a-generation opportunity*, so the U.S. has made bold proposals in agriculture, goods, and services**
 - **Shows strong U.S. commitment to multilateral process**

U.S. Proposals at WTO

Agriculture: Bold Reform

- **Eliminate export subsidies**
- **Cut average world farm tariffs from 60% to 15%**
- **Cut trade-distorting domestic farm support \$100b**

Consumer & Industrial Goods: “Tariff-free World 2015”

- **Cut all tariffs at/under 5% to zero by 2010**
- **Cut all other tariffs to less than 8% by 2010**
- **Sectoral zero-for-zero initiatives**

Services: Broad Liberalization

- **Services are a key “enabler” for development**
- **Account for majority of developed and developing GDP**

U.S. Proposals at WTO

Global Benefits

- **World Bank: Global free trade in goods and agriculture boosts developing country annual income by \$540 billion**
 - *Lifts 300 million out of poverty*
 - *Nearly two-thirds of global benefits go to developing world*
- **World Bank: Service liberalization boosts developing country annual income by nearly \$900 billion**
- **70% of developing country tariffs are paid to other developing countries**

U.S. Proposals at WTO

European Benefits

- **Boosts to EU/EFTA economy:**
 - **Free trade in goods: Nearly \$200 billion per year**
 - **Free trade in services: Over \$300 billion per year**
- **50% cut in tariffs:**
 - **55,000 new jobs in Germany; benefit of 11.5 billion Euros (1999 study)**
- **U.S. supports “zero for zero” and low-duty elimination in areas that will benefit key German export sectors such as:**
 - **Aircraft; pharmaceuticals; computers; medical equipment; electrical equipment; office and industrial machinery.**
- **Compare current auto tariffs:**
 - **India – 105%; EU – 10%; U.S. – 2.5%**
- **UNICE support; BDI calls U.S. tariff proposal a welcome surprise**

U.S. Proposals at WTO

Benefits to United States

- **Boosts to U.S. economy:**
 - **Free trade in goods: Nearly \$100 billion per year**
 - **Free trade in services: About \$300 billion per year**
- **U.S. proposal for tariff elimination would benefit average family of 4 at least \$1,600 per year from tax cut and growth in U.S. economy**
- **U.S. seeking “zero for zero” and low-duty elimination in sectors that represent 60% of all U.S. goods exports**
- **Levels the playing field: U.S. bound tariffs average 4% with trade-weighted average of 1.6%; world’s bound tariffs average 40%**
- **Broad U.S. industry support for ambitious result in Doha Round**

WTO Doha Agenda

Road to Cancun 2003

- **OECD Meeting**
 - **US & EU seek focus on 6 core items:**
 - 1) Goods
 - 2) Agriculture
 - 3) Services
 - 4) Development Issues
 - 5) “Singapore Issues”
 - 6) Rules
 - **US & EU advance common concepts for goods trade tariff cuts**
- **Mini-ministerial in Egypt (June)**
- **CAP Reform?**
 - **Fischler/Lamy proposals: “decoupling” and market reform**
 - **June?**
 - **For Doha, CAP reforms are critically necessary, albeit not sufficient**

CAP Reform

Possible German Interests

Two benefits for one reform:

- **Internal to Europe (rural, environmental, enlargement interests)**
- **More flexibility for the EC in WTO to press trade liberalization**

Additional benefits:

- **Helps developing countries in WTO**
- **Boost for fragile world economy**
- **Opens door for reducing barriers to goods and services trade**
- **Trade liberalization complements Germany's structural reforms**
- **Support for European (Commission) agricultural reforms**
- **Strengthens key component of multilateral system: WTO**
- **Advances EU-US cooperation in multilateral trading system**

Teamwork and Support

Working Together in our Common Interest

Need your help and teamwork to increase likelihood of success:

- **Voice U.S., German business support for ambitious Doha Agenda**
- **Explain trade and openness to employees, shareholders**
- **Build trans-Atlantic coalitions on issues of common interest:**
 - **Services, goods, trade facilitation, pro-investment rules**
- ***Urge EU member states to recognize broad benefits of CAP reform, including critical importance for Doha WTO negotiations***

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